

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7402**

**BILL NUMBER:** HB 1626

**NOTE PREPARED:** Jan 9, 2005

**BILL AMENDED:**

**SUBJECT:** Property tax deduction and credit applications.

**FIRST AUTHOR:** Rep. Stevenson

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires the closing agent in a single family residential financing transaction to: (1) provide to the customer the forms to file for the homestead credit and individual property tax deductions; (2) allow the customer to complete the forms; and (3) transfer the forms to the county recorder. The bill directs the county recorder to transfer the forms to the county auditor for filing.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** The proposal could result in an increase in Homestead Credits paid by the state. The amount of the credit equals 20% multiplied by the individual's property tax liability after the Property Tax Replacement Credit is applied. The specific impact is indeterminable. Homestead Credits are paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. Any changes of homestead credit expenditures would ultimately affect the state General Fund.

**Explanation of State Revenues:** The proposal could result in additional property tax deductions. Property tax deductions exclude property from the property tax base. The state levies a small tax rate for the State Fair and State Forestry that applies to all AV. If property is not a part of the tax base, the state can not assess this tax on the property. Any decrease in the AV base as a result of deductions reduces the property tax revenue collected for these two funds.

**Explanation of Local Expenditures:** The proposal could result in additional administrative expenses for the county. However, it is presumed that counties will be able to absorb any additional expense given existing resources and funds.

**Explanation of Local Revenues:** The above proposal may result in an increase in deductions claimed. The property tax deductions that would be available for taxes paid in 2006 under this proposal include mortgage, over 65, blind/disabled, and veteran's deductions. The \$35,000 standard deduction is automatic when the homeowner receives the Homestead Credit. Taxpayers who apply for the state homestead credit receive the local homestead credit.

Additional deductions reduce the AV tax base. This reduction causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The amount of the deduction is indeterminable. Total local revenues would not be affected, except that the revenue in rate-controlled funds would be reduced.

With respect to the local homestead credit, local homestead credits are paid from revenue generated by a local option income tax. The proposal could result in an increase in local homestead credits. A portion of the revenue generated by the local option income tax that would have gone to local units will under the proposal be used to fund any additional taxpayer homestead credits that result from closing agents submitting the appropriate form for taxpayers who, otherwise, would not have filed for the credit.

**State Agencies Affected:** DLGF, State Fair, and State Forestry.

**Local Agencies Affected:** County auditors and taxing units.

**Information Sources:**

**Fiscal Analyst:** Bernadette Bartlett, 317-232-9586.